



Session 29

Need Analysis: What You Should Know

Dan Madzellan

News Roundup: 1954

- Brown vs. Board of Education
- France Ends Colonial Rule in Viet Nam
- TI Begins Producing Silicon Transistors
- Elvis Presley Cuts First Record
- College Board Establishes a National Need Analysis

The CSS Model

- Parents Have Primary Responsibility for Their Children's Postsecondary Education
- Student Contributes More As the Principal Beneficiary of Postsecondary Education
- Families Are Accepted in Their Current Financial Circumstance
- A Portion of Discretionary Income Is Available for College Costs



More on the CSS Model

- “Ability to Pay” Calculation
- Total Income Plus a Portion of Assets
- Less Non-discretionary Expenses
- Progressive Assessment of Discretionary Resources
- Consideration of Siblings in College
- Student Contribution



Federal Involvement

- BEOG Family Contribution Schedule
- 1980 Amendments – Single Formula
- 1982 Technicals – Not So Fast!
- 1986 Amendments – Two Formulas / No Regulating!
- 1992 Amendments – Single Formula That Acknowledges Families With Children
- 1998 Amendments – Tweaks & Complements



Federal Methodology Today

- Regular Formula
- One for Dependent Students
- Two for Independent Students
 - With Dependents Other Than a Spouse
 - Unmarried Or Spouse Is Only Dependent



Federal Methodology Today

- Simplified Needs Test
 - Less Than \$50,000 AGI*
 - Not Required To File a 1040 Tax Return

- Automatic Zero EFC
 - Less Than \$15,001 AGI*
 - Not Required To File a 1040 Tax Return
 - Have Dependents Other Than a Spouse



Federal Methodology Today

- Alternate Expected Family Contribution
- Parents of Dependent Students
 - Pro Rata for Less Than Nine Months
 - Subtraction Method for Longer Enrollment
- Students
 - Pro Rata for Less Than Nine Months



Primary Determinants of Ability to Pay

- Income
 - Taxable (Adjusted Gross Income)
 - Untaxed
- Taxes Paid
- Household Size
- Number in College



Details – Available Income

- Total Income (Base Year)
 - Adjusted Gross Income
 - Untaxed Income (Worksheet B)
 - Less Exclusions (Worksheet C)
- Allowances
 - Taxes (Federal Income, FICA, State Taxes)
 - Living Expenses
 - Basic Subsistence
 - Additional Employment-related



Income Protection Allowance

- 1967 BLS Survey for a Family of Four
- Current Value is \$20,710
 - \$6,760 for Food
 - \$4,490 for Housing
 - \$1,960 for Transportation
 - \$2,870 for Clothing and Personal Care
 - \$2,370 for Medical Care
 - \$2,260 for Other Family Consumption



More Details – Assets

- Net Value of Liquid/Non-Liquid Assets
- Except Home, Family Farm, Retirement Plans
- Part of Business/Other Farm Equity
- Allowance for Retirement Savings
- Conversion Rate/Income Supplement
- Dependent Student:
 - No Allowance
 - Contribution Rate

Education Savings and Asset Protection Allowance

$$P = \frac{D (1+f)^{n+1} (1+L) [(1+i)^{r-n} - (1+f)^{r-n}]}{(1+i)^r (i-f)}$$

Where...

D: BLS Moderate Budget Minus SSA Retirement Benefits

f : 6% Annual Inflation (HEA)

i : 8% Annual Interest Earnings (HEA)

L : 6% Sales Commission on the Annuity (HEA)

r : Remaining Life Expectancy

c : Current Age of Future Annuitant

n : Number of Years to Retirement (65 - c)



Expected Contribution People With Kids

- Available Income
- Income Supplement
- Marginal Assessment
 - 22 to 47 Percent
- For All Family Members – Except Parents – In College



Expected Contribution Dependent Students

- Total Base-year Income
- Allowances:
 - Taxes
 - Living Expenses
 - Negative Parental Available Income
- 50 Percent Assessment
- 35 Percent of Net Assets



Expected Contribution Independents Without Kids

- Total Base-year Income
- Allowances:
 - Taxes
 - Living Expenses
 - Additional Employment-related If Married and Both Work
- 50 Percent Assessment
- 35 Percent of Available Net Assets



Professional Judgment

- Case-by-Case Basis
- Independent Student Status
- Adjust Data Elements
- Not Limited/Documentation Required
- HEA Special Circumstances?
 - K-12 Tuition
 - Uncommon Medical/Dental Expenses
 - Unusual Child Care Costs
 - Recent Unemployment



Technical Assistance

We appreciate your feedback and comments.

You can contact me by:

Phone: (202) 502-7816

Fax: (202) 502-7873

Email: dan.madzelan@ed.gov